

Winston-Salem State University

Internal Audit Manual

Internal Audit Charter

A. Mission

The mission of the Office of Internal Audit and Institutional Compliance is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

B. Scope

The scope of work of the Office of Internal Audit and Institutional Compliance is to determine whether the University's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

1. Risks are appropriately identified and managed.
2. Interaction with the various governance groups occur as needed.
3. Significant financial, managerial, and operating information is accurate, reliable, and timely.
4. Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
5. Resources are acquired economically, used efficiently, and adequately protected.
6. Programs, plans, and objectives are achieved.
7. Quality and continuous improvement are fostered in the University's control processes.
8. Significant legislative and regulatory issues impacting the University are recognized and addressed properly.

Opportunities for improving management control, efficiency, and the University's image identified during audits will be communicated to the appropriate level of management.

The Winston-Salem State Office of Internal Audit and Institutional Compliance will provide the same level of assurance services, described in this charter, to the University of North Carolina School of the Arts.

C. Independence

The Office of Internal Audit and Institutional Compliance shall maintain its independence. The Chief Audit Officer and Executive Director of Institutional Compliance (Chief Audit Officer) reports administratively to the Chancellor and functionally to the Audit Committee of the University Board of Trustees in a manner outlined in the section on *Accountability*. Internal Audit staff personnel shall report to the Chief Audit Officer. The Chief Audit Officer shall include a report on internal audit personnel as part of the regularly scheduled Board of Trustees Audit Committee meetings or upon request from the Chair of Audit Committee.

D. Authority

1. The Chief Audit Officer and staff are authorized to:
 - a. Have unrestricted access to all functions, records, property, and personnel, in a manner consistent with North Carolina law.
 - b. Have full and free access to the Audit Committee.
 - c. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives.
 - d. Obtain the necessary assistance of personnel in units of the University where they perform audits, as well as other specialized services from within or outside the University.
2. The Chief Audit Officer and staff are **not** authorized to:
 - a. Perform any operational duties for the University or its affiliates.
 - b. Initiate or approve accounting transactions external to the Office of Internal Audit and Institutional Compliance.

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- c. Direct the activities of any University employee not employed by the Office of Internal Audit and Institutional Compliance, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

E. Accountability

The Chief Audit Officer, in the discharge of his/her duties, shall be accountable to the Chancellor and the Audit Committee to:

1. Provide an assessment on the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
2. Report significant issues related to the processes for controlling the activities of the University and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
3. Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
4. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

F. Responsibility

The Chief Audit Officer and staff shall have the responsibility to:

1. Apply and uphold the principles and rules of conduct in the Code of Ethics established by the Institute of Internal Auditors (IIA).
2. Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the audit committee for review and approval.
3. Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the audit committee.
4. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
5. Establish a quality assessment program by which the Chief Audit Officer assures the operation of internal auditing activities.
6. Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation and advisory services.
7. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
8. Periodically report to the Chancellor and the Audit Committee summarizing the results of audit activities.
9. Keep the Chancellor and the Audit Committee informed of emerging trends and successful practices in internal auditing.
10. Provide significant goals and results to the Audit Committee.
11. Assist in the investigation of significant suspected fraudulent activities within the University and notify the Chancellor and the Audit Committee of the results.
12. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the University.

G. Role in Enterprise Risk Management

1. The Office of Internal Audit and Institutional Compliance's core role with regard to Enterprise Risk Management (ERM) is to provide objective assurance to the Audit Committee of the University Board of Trustees on the effectiveness of the University's ERM activities to help ensure key business risks are being managed appropriately and that the system of internal control is operating effectively.

The main factors the Chief Audit Officer should take into account when determining internal auditing's role are whether the activity raises any threats to the internal auditor's independence and objectivity, and whether it is likely to improve the University's risk management, control and governance processes.

To maintain the objectivity and independence required by The IIA's Standards the Office of Internal Audit and Institutional Compliance should and should not play the following roles throughout the ERM process:

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2. Core internal auditing roles in regard to ERM:
 - a. Giving assurance on risk management processes.
 - b. Giving assurance that risks are correctly evaluated.
 - c. Evaluating risk management processes.
 - d. Evaluating the reporting of key risks.
 - e. Reviewing the management of key risks.
3. The Office of Internal Audit and Institutional Compliance may extend its involvement in ERM to include the roles identified below as “legitimate” provided that the following safeguards are in place:
 - a. Management remains responsible for risk management.
 - b. Internal audit should not manage any of the risks on behalf of management.
 - c. Internal audit should provide advice, and challenge and support management’s decisions on risk, as opposed to making risk management decisions.
4. Legitimate internal auditing roles with safeguards:
 - a. Facilitating identification and evaluation of risks.
 - b. Coaching management in responding to risks.
 - c. Coordinating ERM activities.
 - d. Consolidating the reporting on risks.
 - e. Championing the establishment of ERM.
5. Roles internal auditing should not undertake:
 - a. Maintaining and developing the ERM framework.
 - b. Developing risk management strategy for board approval.
 - c. Setting the risk appetite.
 - d. Imposing risk management processes.
 - e. Management assurance on risks.
 - f. Taking decisions on risk responses.
 - g. Implementing risk responses on management’s behalf.
 - h. Accountability for risk management.

H. Standards of Audit Practice

The Office of Internal Audit and Institutional Compliance will meet or exceed the International Standards for the Professional Practice of Internal Auditing (Standards) of the IIA.

Effective Date: This amended Charter becomes effective upon adoption by the Board of Trustees.

Amended: This the 21st day of March 2014

Debra B. Miller
Chairman, Board of Trustees
Winston-Salem State University

Vivian H. Burke
Secretary, Board of Trustees
Winston-Salem State University